

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SENATE BILL 1156

AN ACT

AMENDING SECTIONS 42-1001, 43-105, 43-931 AND 43-1123, ARIZONA REVISED
STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-1001, Arizona Revised Statutes, is amended to
3 read:

4 42-1001. Definitions

5 In this title, unless the context otherwise requires:

6 1. "Board" or "state board" means either the state board of tax
7 appeals or the state board of equalization, as applicable.

8 2. "Court" means the tax court or superior court, whichever is
9 applicable.

10 3. "Department" means the department of revenue.

11 4. "Director" means the director of the department.

12 5. "Internal revenue code" means the United States internal revenue
13 code of 1986, as amended and in effect as of January 1, ~~2005~~ 2006, including
14 those provisions that became effective during ~~2004~~ 2005 with the specific
15 adoption of their retroactive effective dates but excluding all changes to
16 the code enacted after January 1, ~~2005~~ 2006.

17 Sec. 2. Section 43-105, Arizona Revised Statutes, is amended to read:

18 43-105. Internal revenue code; definition; application

19 A. FOR PURPOSES OF COMPUTING INCOME TAX PURSUANT TO THIS TITLE, FOR
20 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2005 THROUGH DECEMBER 31,
21 2006, "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL REVENUE CODE
22 OF 1986, AS AMENDED, IN EFFECT ON JANUARY 1, 2006, INCLUDING THOSE PROVISIONS
23 THAT BECAME EFFECTIVE DURING 2005 WITH THE SPECIFIC ADOPTION OF ALL FEDERAL
24 RETROACTIVE EFFECTIVE DATES, BUT EXCLUDING ANY CHANGE TO THE CODE ENACTED
25 AFTER JANUARY 1, 2006.

26 ~~A.~~ B. For purposes of computing income tax pursuant to this title,
27 for taxable years beginning from and after December 31, 2004 through December
28 31, 2005, "internal revenue code" means the United States internal revenue
29 code of 1986, as amended, in effect on January 1, 2005, including those
30 provisions that became effective during 2004 with the specific adoption of
31 all federal retroactive effective dates, ~~but excluding any change to the code~~
32 ~~enacted after January 1, 2005~~ AND INCLUDING THOSE PROVISIONS OF THE KATRINA
33 EMERGENCY TAX RELIEF ACT OF 2005 (P.L. 109-73), THE ENERGY TAX INCENTIVES ACT
34 OF 2005 (TITLE XIII OF THE ENERGY POLICY ACT OF 2005 (P.L. 109-58)) AND THE
35 GULF OPPORTUNITY ZONE ACT OF 2005 (P.L. 109-135) THAT ARE RETROACTIVELY
36 EFFECTIVE DURING TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004
37 THROUGH DECEMBER 31, 2005.

38 ~~B.~~ C. For purposes of computing income tax pursuant to this title,
39 for taxable years beginning from and after December 31, 2003 through December
40 31, 2004, "internal revenue code" means the United States internal revenue
41 code of 1986, as amended, in effect on January 1, 2004, including those
42 provisions that became effective during 2003 with the specific adoption of
43 all federal retroactive effective dates and including those provisions of the
44 working families tax relief act of 2004 (P.L. 108-311), ~~and~~ the American jobs
45 creation act of 2004 (P.L. 108-357), THE KATRINA EMERGENCY TAX RELIEF ACT OF

1 2005 (P.L. 109-73), THE ENERGY TAX INCENTIVES ACT OF 2005 (TITLE XIII OF THE
2 ENERGY POLICY ACT OF 2005 (P.L. 109-58)) AND THE GULF OPPORTUNITY ZONE ACT OF
3 2005 (P.L. 109-135) that are retroactively effective during taxable years
4 beginning from and after December 31, 2003 through December 31, 2004.

5 ~~E.~~ D. For purposes of computing income tax pursuant to this title,
6 for taxable years beginning from and after December 31, 2002 through December
7 31, 2003, "internal revenue code" means the United States internal revenue
8 code of 1986, as amended, in effect on January 1, 2003, including those
9 provisions that became effective during 2002 with the specific adoption of
10 all federal retroactive effective dates and including those provisions of the
11 working families tax relief act of 2004 (P.L. 108-311), the American jobs
12 creation act of 2004 (P.L. 108-357), the jobs and growth tax relief
13 reconciliation act of 2003 (P.L. 108-27), the military family tax relief act
14 of 2003 (P.L. 108-121) and the medicare prescription drug, improvement, and
15 modernization act of 2003 (P.L. 108-173) that are retroactively effective
16 during taxable years beginning from and after December 31, 2002 through
17 December 31, 2003.

18 ~~D.~~ E. For purposes of computing income tax pursuant to this title,
19 for taxable years beginning from and after December 31, 2001 through December
20 31, 2002, "internal revenue code" means the United States internal revenue
21 code of 1986, as amended, in effect on March 9, 2002, including those
22 provisions that became effective during 2001 with the specific adoption of
23 all federal retroactive effective dates and including those provisions of the
24 working families tax relief act of 2004 (P.L. 108-311), the American jobs
25 creation act of 2004 (P.L. 108-357), the jobs and growth tax relief
26 reconciliation act of 2003 (P.L. 108-27) and the military family tax relief
27 act of 2003 (P.L. 108-121) that are retroactively effective during taxable
28 years beginning from and after December 31, 2001 through December 31, 2002.

29 ~~E.~~ F. For purposes of computing income tax pursuant to this title,
30 for taxable years beginning from and after December 31, 2000 through December
31 31, 2001, "internal revenue code" means the United States internal revenue
32 code of 1986, as amended, in effect on January 1, 2001, including those
33 provisions that became effective during 2000 with the specific adoption of
34 all federal retroactive effective dates and including those provisions of the
35 working families tax relief act of 2004 (P.L. 108-311), the American jobs
36 creation act of 2004 (P.L. 108-357), the economic growth and tax relief
37 reconciliation act of 2001 (P.L. 107-16), the job creation and worker
38 assistance act of 2002 (P.L. 107-147) and the military family tax relief act
39 of 2003 (P.L. 108-121) that are retroactively effective during taxable years
40 beginning from and after December 31, 2000 through December 31, 2001.

41 ~~F.~~ G. For purposes of computing income tax pursuant to this title,
42 for taxable years beginning from and after December 31, 1999 through December
43 31, 2000, "internal revenue code" means the United States internal revenue
44 code of 1986, as amended, in effect on January 1, 2000, including those
45 provisions that became effective during 1999 with the specific adoption of

1 all federal retroactive effective dates and including those provisions of the
 2 community renewal tax relief act of 2000 (P.L. 106-554), the installment tax
 3 correction act of 2000 (P.L. 106-573), FSC repeal and extraterritorial income
 4 exclusion act of 2000 (P.L. 106-519), the trade and development act of 2000
 5 (P.L. 106-200), the economic growth and tax relief reconciliation act of 2001
 6 (P.L. 107-16), the job creation and worker assistance act of 2002
 7 (P.L. 107-147) and the military family tax relief act of 2003 (P.L. 108-121)
 8 that are retroactively effective during taxable years beginning from and
 9 after December 31, 1999 through December 31, 2000.

10 ~~G.~~ H. For purposes of computing income tax pursuant to this title,
 11 for taxable years beginning from and after December 31, 1998 through December
 12 31, 1999, "internal revenue code" means the United States internal revenue
 13 code of 1986, as amended, in effect on January 1, 1999, including those
 14 provisions that became effective during 1998 with the specific adoption of
 15 all federal retroactive effective dates and including those provisions of the
 16 miscellaneous trade and technical corrections act of 1999 (P.L. 106-36), the
 17 ticket to work and work incentives improvement act of 1999 (P.L. 106-170),
 18 the community renewal tax relief act of 2000 (P.L. 106-554), the installment
 19 tax correction act of 2000 (P.L. 106-573) and the military family tax relief
 20 act of 2003 (P.L. 108-121) that are retroactively effective during taxable
 21 years beginning from and after December 31, 1998 through December 31, 1999.

22 ~~H.~~ I. For purposes of computing income tax pursuant to this title,
 23 for taxable years beginning from and after December 31, 1997 through December
 24 31, 1998, "internal revenue code" means the United States internal revenue
 25 code of 1986, as amended, in effect on January 1, 1998, including those
 26 provisions that became effective during 1997 with the specific adoption of
 27 all federal retroactive effective dates and including those provisions of the
 28 IRS restructuring and reform act of 1998 (P.L. 105-206), the tax and trade
 29 relief extension act of 1998 (P.L. 105-277), the surface transportation
 30 revenue act of 1998 (P.L. 105-178), the miscellaneous trade and technical
 31 corrections act of 1999 (P.L. 106-36) and the military family tax relief act
 32 of 2003 (P.L. 108-121) that are retroactively effective during the taxable
 33 years beginning from and after December 31, 1997 through December 31, 1998.

34 ~~I.~~ J. For purposes of computing income tax pursuant to this title,
 35 for taxable years beginning from and after December 31, 1996 through December
 36 31, 1997, "internal revenue code" means the United States internal revenue
 37 code of 1986, as amended, in effect on January 1, 1997, including those
 38 provisions that became effective during 1996 with the specific adoption of
 39 all federal retroactive effective dates and including the provisions of the
 40 taxpayer relief act of 1997 (P.L. 105-34), the IRS restructuring and reform
 41 act of 1998 (P.L. 105-206), the tax and trade relief extension act of 1998
 42 (P.L. 105-277) and the military family tax relief act of 2003 (P.L. 108-121)
 43 that are retroactively effective during taxable years beginning from and
 44 after December 31, 1996 through December 31, 1997.

~~J.~~ K. For purposes of computing income tax pursuant to this title, for taxable years beginning from and after December 31, 1995 through December 31, 1996, "internal revenue code" means the United States internal revenue code of 1986, as amended, in effect on January 1, 1996, including those provisions that became effective during 1995 with the specific adoption of their retroactive effective date and including those provisions of the small business job protection act of 1996 (P.L. 104-188; 110 Stat. 1755), the health insurance portability and accountability act of 1996 (P.L. 104-191; 110 Stat. 1936), the personal responsibility and work opportunity reconciliation act of 1996 (P.L. 104-193; 110 Stat. 2105), the taxpayer relief act of 1997 (P.L. 105-34), the IRS restructuring and reform act of 1998 (P.L. 105-206) and the tax and trade relief extension act of 1998 (P.L. 105-277) that are retroactively effective during taxable years beginning from and after December 31, 1995 through December 31, 1996.

~~K. For purposes of computing income tax pursuant to this title, for taxable years beginning from and after December 31, 1994 through December 31, 1995, "internal revenue code" means the United States internal revenue code of 1986, as amended, in effect on January 1, 1995, including those provisions that became effective during 1994 with the specific adoption of their retroactive effective date and including those provisions of the small business job protection act of 1996 (P.L. 104-188; 110 Stat. 1755), the health insurance portability and accountability act of 1996 (P.L. 104-191; 110 Stat. 1936), the personal responsibility and work opportunity reconciliation act of 1996 (P.L. 104-193; 110 Stat. 2105), the taxpayer relief act of 1997 (P.L. 105-34), the IRS restructuring and reform act of 1998 (P.L. 105-206) and the tax and trade relief extension act of 1998 (P.L. 105-277) that are retroactively effective during taxable years beginning from and after December 31, 1994 through December 31, 1995.~~

Sec. 3. Section 43-931, Arizona Revised Statutes, is amended to read:

43-931. Change of accounting period; computation of income; due date of return

A. If a taxpayer, with the approval of the department, changes the basis of computing taxable income from fiscal year to calendar year, a separate return shall be made for the period between the close of the last fiscal year for which return was made and the following December 31. If the change is from calendar year to fiscal year, a separate return shall be made for the period between the close of the last calendar year for which return was made and the date designated as the close of the fiscal year. If the change is from one fiscal year to another fiscal year a separate return shall be made for the period between the close of the former fiscal year and the date designated as the close of the new fiscal year.

B. If a separate return is made under subsection A on account of a change in the accounting period, and in all other cases where a separate return is required or permitted by regulations prescribed by the department to be made for a fractional part of a year, the income shall be computed on

1 the basis of the period for which the separate return is made. The due date
2 of the separate return for such period is the fifteenth day of the fourth
3 month following the close of such period ~~UNLESS THE SHORT PERIOD RETURN IS~~
4 ~~DUE TO A CHANGE IN OWNERSHIP OF A CORPORATION IN WHICH CASE THE DUE DATE~~
5 ~~SHALL BE DETERMINED PURSUANT TO 26 CODE OF FEDERAL REGULATIONS SECTION~~
6 ~~1.1502-76.~~

7 Sec. 4. Section 43-1123, Arizona Revised Statutes, is amended to read:

8 ~~43-1123.~~ Net operating loss; definition

9 A. As used in this section, "net operating loss" means:

10 1. In the case of a taxpayer who has a net operating loss for the
11 taxable year within the meaning of section 172(c) of the internal revenue
12 code, the amount of the net operating loss increased by the subtractions
13 specified in section 43-1122, except the ~~deduction~~ SUBTRACTION allowed in
14 section 43-1122, paragraph 7, and reduced by the additions specified in
15 section 43-1121.

16 2. In the case of a taxpayer not described in paragraph 1 ~~of this~~
17 ~~subsection~~, any excess of the subtractions specified in section 43-1122,
18 except the ~~deduction~~ SUBTRACTION allowed in section 43-1122, paragraph 7,
19 over the sum of the Arizona gross income plus the additions specified in
20 section 43-1121.

21 B. If for any taxable year the taxpayer has a net operating loss, such
22 net operating loss shall be a net operating loss carryover for each of the
23 ~~five~~ TWENTY succeeding taxable years, except that the carryover in the case
24 of each such succeeding taxable year, other than the first succeeding taxable
25 year, shall be the excess, if any, of the amount of such net operating loss
26 over the sum of the taxable income for each of the intervening years computed
27 by determining the net operating loss ~~deduction~~ SUBTRACTION for each
28 intervening taxable year, without regard to such net operating loss or to the
29 net operating loss for any succeeding taxable year.

30 C. The amount of the net operating loss ~~deduction~~ SUBTRACTION shall be
31 the aggregate of the net operating loss carryovers to the taxable year.